

Appendix

Universal Credit and other welfare benefit changes Paper for Witness Session One: Information and analysis Setting the scene: Understanding universal credit and the claimant journey

1. This paper provides brief statistical information regarding households likely to be affected by the roll-out of Universal Credit (UC) in Hillingdon. It considers how UC works in practice and its likely impact, drawing on available information regarding others experience.

Current claimants

2. As at 12 September 2018, there were 30 UC claimants residing in Hillingdon Council Housing. These cases were part of the live service prior to new claims ceasing in December 2017 and are still current claims. Since the 'go live' date for the HA5 and HA6 postcodes on 4 July 2018, there have been 21 landlord verifications confirmed by Hillingdon Council to the Department for Work and Pensions (DWP). The main Full Service roll-out of UC for new claimants in Hillingdon is scheduled for 24 October 2018.

Future claimants

3. From 24 October 2018, all new claimants will claim UC rather than legacy benefits. They will not be able to make a claim for Housing Benefit unless they:
 - Have reached state pension age;
 - Have more than two children (unless they are reclaiming within 6 months of a previous UC claim - from February 2019 UC will accept claims from families with three or more children);
 - Are in exempt accommodation or temporary accommodation (they will need to claim UC but also Housing Benefit for their housing costs).
4. The number of welfare benefit claimants is constantly changing, however the current number of legacy benefit claimants gives an understanding of broad numbers of people likely to claim UC. The DWP produced the following estimates for the number of households yet to move to UC, by benefit group, by constituency in December 2017:

	Universal Credit	“Legacy” benefits	% on UC
Ruislip, Northwood and Pinner			
Housing (no. of households)	80	3,100	2%
Children (no. of households)	10	2,400	0%
Incapacity (no. of households)	10	1,400	0%
Unemployment (no. of people)	120	400	24%
Total households	240	4,400	5%
Uxbridge and South Ruislip			
Housing (no. of households)	120	4,900	% on UC
Children (no. of households)	30	4,100	2%
Incapacity (no. of households)	20	2,000	1%
Unemployment (no. of people)	160	400	1%
Total households	300	6,800	28%
Hayes and Harlington			
Housing (no. of households)	150	8,700	2%
Children (no. of households)	60	8,100	1%
Incapacity (no. of households)	10	2,800	0%
Unemployment (no. of people)	230	1,000	19%
Total households	440	12,300	3%

Notes: The Ruislip, Northwood and Pinner constituency extends into Harrow, the other constituencies are entirely within Hillingdon and have coterminous boundaries.

Data is taken from the House of Commons Library constituency data tool. This estimates the number of households claiming legacy benefits and tax credits by combining caseload data. One household can claim more than one benefit and some of the data relates to households and some to individuals. To compile the estimates, assumptions are made and figures rounded. These factors combine to mean that the totals are not a simple addition of the other figures.

Rolling out Universal Credit

5. Following on from a series of delays, UC's introduction is now moving at a faster pace. Around 50 job centres a month are converting to UC for all new claims and by the end of the year all new claims to working-age benefits are set to come via UC. The overall caseload will increase next year through the introduction of managed migration, however this will not be a rapid transition. It is not until 2020-21 that cases are expected to move at anything approaching scale and it is only by 2022-23 that all of the existing benefit cases are expected to have been migrated.

Components of Universal Credit and how it is paid

6. Universal Credit awards comprise a **standard allowance** with **additional amounts** for children, housing and other needs and circumstances such as childcare and caring. The actual amount a family receives will however depend on its income and savings. **Unearned income** – such as income from certain benefits, or an occupational pension – will usually reduce the maximum UC award on a pound for pound basis. **Earned income** – i.e. income from employment or self-employment – will reduce the UC award at a constant taper rate of 63 pence for each additional pound of net earnings.
7. UC is paid monthly in arrears and normally in a single payment. It is based on current income with monthly awards calculated on an ongoing basis. HMRC's Real Time Information allows DWP to automatically adjust the UC award if their wages change. UC is underpinned by a "conditionality" framework backed up by a sanctions regime for non-compliance.

UC and the Benefit Cap

8. UC claimants will have the Benefit Cap applied to their total benefit income. This differs from Housing Benefit (HB) where only HB is reduced by the Benefit Cap. There are exemptions to the cap for people who claim certain elements for example the carer's element of UC.

UC Full Service

9. UC 'Full Service' (UCFS) is the roll out of the full digital service to all new claimants. The claim is made online and the ongoing management of the claim is via the digital portal. All communication with DWP and Jobcentre Work Coaches will be through the claimants' online journal. Instructions and meetings will all be sent through the journal. Claimants will need to be online frequently in order to keep up with the ongoing claim requirements. UCFS will be affecting many more claimant groups who are less likely to be digitally confident.
10. DWP have provided Local Authorities with funding to commission Personal Budgeting Support (PBS) and Assisted Digital Support (ADS) for UC claimants.

PBS helps claimants to manage their monthly benefits. ADS provides support with new online claims for UC and ensures that the claimant has the digital skills to maintain their claim on the digital portal.

11. The rate of transfer will depend on how frequently households have a change that triggers the move to UCFS. Examples of changes triggering a UCFS claim:
- Moving into work or out of work;
 - Going from full time to part time work or vice versa;
 - Becoming liable for rent for the first time;
 - Becoming responsible for a child for the first time;
 - Partner joining or leaving household;
 - Moving into new LA area;
 - Coming out of prison / hospital;
 - Taking on or stopping caring responsibilities.

Vulnerable residents

12. The DWP has discretion to alter the payment arrangements for claimants who are deemed to be vulnerable, for example those suffering from domestic abuse or those who have alcohol/ drug dependency. Registered Housing Providers also have the power to request alternative payment arrangements for their tenants, for example those with substantial rent arrears or those considered vulnerable.

The aims of UC and whether they are being met

13. The stated aim of Universal Credit (UC), for which there was widespread support, was to simplify the benefits system, make it more efficient and increase the incentives for people to work rather than stay on benefits. It began life intending to be more generous to most claimants than it is now. Budget cuts (particularly in the size of work allowances) and significant processing issues have eroded many of the gains from UC. The rigidity of the system's processes are reported to struggle with the fluid reality of people's lives, leading to stories of payment delays and financial hardship and resulting in a number of changes to UC.
14. A much publicised National Audit Office report in June 2018 criticised delays and the costs of implementation and concluded that UC has not delivered value for money. The report however considered that the Department [DWP] has now got a better grip of the programme in many areas and that there is no practical alternative but to continue with UC.
15. Also in June 2018 the DWP published the Full Business Case for the UC programme and a research report 'Understanding the impact of UC on the labour market'. The analysis claims a positive impact on the labour market however states that most of the labour market improvements are still to come. UC is expected to deliver improved labour market outcomes through:

- Removal of financial incentive barriers in the legacy system in which claimants faced losing money from taking up work or more work;
- Improved simplicity – UC is designed to help claimants understand their choices better. In many cases, the complexity of understanding the interactions of six legacy benefits meant that claimants were unaware of the choices available to them. UC's design is a systematic solution to this problem, and also enables a smoother transition into work;
- Additional conditionality – more claimants will be brought into the labour market and will be supported to find work;

16. As UC has been rolled out the impact it is having on labour market participation has been compared to similar Jobseeker Allowance (JSA) claimants. This showed that UC claimants were on average 4 percentage points more likely to have been in work in the six months following the claim than their JSA counterparts. A survey of claimants also found that, in comparison to their JSA counterparts, UC claimants were undertaking higher levels of job search activity. The UC performance framework will continue to measure:

- People finding work quickly (earning in the 3rd month of claiming UC)
- Don't want to leave people behind (reached 6th month of claim and have not yet had earnings)
- People to keep hold of their jobs (proportion of those in work that stay for at least 3 months)
- People to become more self-reliant (average earnings of those in work)

Cumulative impact

17. UC is one of a number of reforms to the welfare system since the Welfare Reform Act of 2012, which includes the under-occupancy rules for social housing, the Benefit Cap, reform of Local Housing Allowance for private rented properties, changes to Disability Living Allowance and Employment Support Allowance.

18. The combined and cumulative impact of these welfare reforms alongside the introduction of UC is difficult to monitor due to its complexity and the fact that individuals will have very different experiences based on their circumstances. However there are concerns that those with barriers to employment and vulnerable residents, in particular could be at risk of greater poverty and housing instability.

Homelessness

19. Tenants in the private sector are likely to suffer more from delayed and reduced payments of their housing costs than under the Housing Benefit system. The knock on effect is likely to be an increase in households facing the threat of eviction. It is also likely that the private rental market will become harder to access for people receiving Universal Credit. Private landlords have a long

history of resistance to offering housing to benefit claimants and an increase in arrears is likely to have a negative impact.

Others experience of UC

20. The National Federation of Arms Length Management Organisations (ALMOs) and the Association of Retained Council Housing (ARCH) have been undertaking and reporting joint surveys for the last 3 years looking at the impact of the roll-out of UC. 'Carrying the debt' reports figures as at 31 March 2018 and summarises findings from 38 organisations.

21. NFA and ARCH welcomed recent policy changes and were particularly pleased that the previous seven day waiting period had been removed so UC entitlement now starts on the first day of the application and that those already on Housing Benefit continue to receive their award for the first two weeks of their UC claim. They were also very supportive of the roll-out of Trusted Partner status and access to the Landlord Portal. The two trade bodies also want payments to be made in advance rather than in arrears to stop claimants slipping behind on rent in their first month.

Key Findings

- A significantly higher proportion of tenants claiming UC are in arrears (74%) compared to all households living in council and ALMO homes (26%)
- The average level of arrears per household for all tenants was £328, which is approximately 4 weeks rent. For households in receipt of UC, the national average level of arrears was around one and a half times higher at £520. This ranged from approximately 5-7 weeks' rent outside London, and 14 weeks' in London.
- The percentage of UC households in arrears decreased from 76% in 2017 to 72% in 2018. The average amount owed is very similar (£514 versus £523);
- On average, 25% of the total arrears debt was attributable to households on UC, even though they only made up 5% of total households.
- About 76% of UC claimants in arrears were recorded as having arrears before they moved onto UC; this is an increase from 60% last year.
- Only 29% of households on UC were subject to an Alternative Payment Arrangement where the rent is paid directly to the landlord, down from 41% in 2017 and 44% in 2016.

22. The key message from this years survey is the length of time it can take for tenants to clear the arrears built up in the transition to UC. Evidence from early adopters suggests that it can take between 18 and 24 months to repay the arrears created by the move to UC.

23. Feedback is also highlighting that the current UC system is a real problem for people on zero hours contracts, temporary or seasonal work. The current design of UC does not sit comfortably with the 'gig economy'.

Other council's actions to assist with UC

22. The following list is by no means exhaustive but provides some information regarding the type of responses taken by various local authorities in relation to UC. Their objectives include: protecting council income; preventing homelessness and mitigating the worst effects for vulnerable people.

- Making information available on their websites i.e. Locations of public computers and sources of IT support and work clubs, foodbanks, welfare rights, credit unions and budgeting advice;
- Ensuring officers involved in supporting UCFS customers have, or can access, expertise and decision making authority in at least the following areas:
 - Universal Credit claim & payment rules
 - Budgeting, money management and identifying priority payments
 - Debt resolution remedies
 - Housing Benefit
 - Council Tax Support
 - Housing Advice and homelessness prevention
 - Collection of Council rent, Council Tax and Housing Benefit overpayments;
- Ensuring links between budgeting support and assisted digital support providers to wider support to promote ongoing skills and employment support;
- Improving data sharing and communication between statutory and non-statutory agencies, landlords and the community and voluntary sector;
- Assisting vulnerable clients with online claims, taking client referrals from social services staff;
- Availability of Discretionary Payments for UC claimants who have housing costs included in their UC payments. Some councils also make available discretionary welfare provision i.e. small grants;
- Establishment of cross-service and cross-organisational working groups;
- Build and maintain relationships with private and social landlords;
- Comprehensive staff training. Training offered as required to support internal and external colleagues.

Looking ahead: Managed Migration

23. So far, all UC claims have been made by those who are newly entitled following a change in their circumstances. This 'natural migration' will continue, but will be supplemented from the middle of 2019 by the gradual transition of existing benefit recipients onto UC. This will include working families (with and without children,

with and without housing cost needs, and with and without disability) and Employment and Support Allowance (ESA) cases covering people who are unable to work due to long-term illness and disability.

24. Transitional Protection payments will be made to cover any reduction in entitlement associated with the managed migration forming part of the UC award. After migration, any increase in the claimant's earnings lowers their monthly UC payment (which includes their transitional protection). The protection comes to an end if the claimant's circumstances change in a significant way (such as falling out of work or a change in relationship status) and is reduced if there is a change to an element of UC (such as an additional child element or change in rent). Once reduced, the transition protection element cannot be increased and nor is it updated each year in line with inflation.
25. The onset of managed migration brings new risks to the implementation of UC. The legacy population includes complex cases, such as working families with children, that are not yet well established in the UC system and are more likely to fall foul of continuing procedural teething problems. Additionally some may have little or no relationship with DWP and may actively avoid one – such as single parents who may currently claim tax credit and Housing Benefit support but not DWP-administered benefits like income support or Jobseekers Allowance.
26. The Social Security Advisory Committee has consulted on government proposals for moving claimants to UC from other working age benefits. This consultation has now closed and the outcome is awaited.

Background Papers

Carrying the debt: measuring the impact of Universal Credit on tenants and landlords - survey results 2018, Association of retained council housing and National Federation of ALMOs, July 2018

http://www.almos.org.uk/news_docs.php?subtypeid=24

House of Commons Briefing Paper, Universal Credit roll-out: 2018-19

<https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-8299>

National Audit Office Report: Rolling out Universal Credit, June 2018

<https://www.nao.org.uk/report/rolling-out-universal-credit/>

Understanding the impact of Universal Credit on the labour market, Ad hoc research report no. 64, DWP, June 2018

<https://www.gov.uk/government/publications/universal-credit-understanding-its-impact-on-the-labour-market>

Classification: Public

Social Care, Housing and Public Health Policy Overview Committee - 26 Sept 18

Universal Credit Programme full business case summary, DWP, June 2018
<https://www.gov.uk/government/publications/universal-credit-programme-full-business-case-summary>